

Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 AID-05 CEA-01 CIAE-00 COME-00 EB-07

FRB-03 INR-07 NSAE-00 CIEP-01 SP-02 STR-04 TRSE-00

LAB-04 SIL-01 SAM-01 OMB-01 DODE-00 PM-04 H-02 L-03

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E.O. 11652: N/A

TAGS: EIND, EEC

SUBJECT: COMMISSION STRUGGLING WITH BRITISH GOVERNMENT AID TO
CHRYSLER

REFS: (A) LOND 19373 (B) EC BRUSSELS 4947

1. THE EC COMMISSION'S DIRECTORATE GENERAL FOR COMPETITION
IS ATTEMPTING TO DECIDE WHETHER TO RECOMMEND THAT THE EC
COMMISSION APPROVE THE BRITISH GOVERNMENT'S AID PACKAGE TO
CHRYSLER UK. THE BRITISH GOVERNMENT HAS NOTIFIED THE
COMMISSION, AND THE ISSUE IS WHETHER OR NOT THE AID PACKAGE
IS COMPATIBLE WITH ARTICLE 92 OF THE ROME TREATY (STATE
AIDS). THE BRITISH GOVERNMENT HAS ASKED FOR A RAPID DECISION
A DECISION WILL PERHAPS BE TAKEN AT THE COMMISSION MEETING ON
DECEMBER 22. A COMMISSION OFFICIAL TOLD US THAT THE PACKAGE POSES TWO

VERY SERIOUS PROBLEMS. IN THE FIRST PLACE, THE COMMISSION
IS HIGHLY SKEPTICAL ABOUT THE LONG-TERM PROFITABILITY
OF CHRYSLER UK. THEY TOLERATE AID TO INDUSTRY ONLY WHEN IT
SEEMS LIKELY THAT TEMPORARY AID WOULD PUT A COMPANY IN A
COMPETITIVE POSITION. SECONDLY, THE COMMISSION, WHILE
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APPROVING AID FOR CAPITAL INVESTMENT, HAS NEVER

APPROVED AID COVERING PAST LOSSES AND FUTURE LOSSES AS IS THE CASE IN POINT. WHEN THE COMMISSION APPROVED THE FRENCH AID PROGRAM TO CITROEN AND THE BRITISH AID TO LEYLAND, IT WAS JUSTIFIED AS AID TO IMPROVE PRODUCTIVITY, BUT POLITICAL AND SOCIAL ISSUES WERE CRITICAL (SEE REFTTEL B).

2. THE COMMISSION OFFICIAL WITH WHOM WE SPOKE WAS NOT SURE HOW THE COMMISSION WOULD DECIDE THE CASE. HE SAID THEY WERE VERY MUCH AWARE OF POLITICAL, REGIONAL, AND SOCIAL PROBLEMS IN THE UK. THESE FACTORS OBVIOUSLY WOULD INFLUENCE THE OUTCOME.

3. A CONTACT IN THE BRITISH PERM REP SAW THE ISSUE AS COMPLETELY POLITICAL. HE SAID CHRYSLER HAS CLOSED DOWN AND IS WAITING TO KNOW IF IT SHOULD FIRE 25,000 PEOPLE OR ONLY 8,000. THE COMMISSION WILL HAVE TO MAKE ITS DECISION WITH THIS HUMAN FACTOR IN MIND.

4. COMMENT: IN THE PAST, THE COMMISSION HAS IN MANY CASES ACCEPTED NATIONAL AID PROGRAMS AFTER THEY HAD BEEN MODIFIED TO SATISFY COMMISSION CRITERIA. THIS COULD BE THE TYPE OF COMPROMISE SOLUTION THAT THE COMMISSION WILL TRY TO DEVELOP, BUT WE DO NOT KNOW WHAT ADJUSTMENTS WOULD DO TO THE PACKAGE PUT TOGETHER BETWEEN THE UK AND CHRYSLER. GREENWALD

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